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ECONOMIC COMMISSION FOR AFRICA

Workshop on Promotion of Domestic Trade
Addis Ababa, Ethiopia, 17-19 September 1990

REPORT OF THE WORKSHOP ON PROMOTION OF DOMESTIC TRADE

A. OPENING OF THE MEETING (Agenda Item 1)

1. The Workshop on Promotion of Domestic Trade was held in Africa Hall, Addis Ababa, Ethiopia on 17 and 18 September 1990. On behalf of Prof. Adebayo Adedeji, United Nations Under Secretary General and ECA Executive Secretary who had been unable to attend, Mr. Bingu Wa Mutharika, Director of the Trade and Development Finance Division of ECA officially opened the meeting. He first welcomed participants to the first such regional workshop on the promotion of domestic trade. Their presence at the workshop bore testimony to the importance that their Governments attached to the promotion of domestic trade as a means of speeding up economic growth and achieving an indispensable balance between the rural and the urban areas.

2. He went on to make a number of observations on the domestic trade situation in Africa. Domestic trade was not adequately meeting the needs of rural pople in terms of goods and services. From 70 to 85 percent of the rural population was engaged in subsistence farming. If domestic trade, which played a decisive role in the daily lives of Africans, had been sufficiently developed, several Governments could easily have fed the rural populations stricken by famine during 1983 and 1984. He recalled that several Government's continued to give preference to export sector. The structures of domestic trade needed to change significantly during the 1990s if rural poverty was to be eradicated. The modernization of the informal sector and the transformation of rural economies should be the priority of the African Governments. In the Lagos Plan of Action, the United Nations Programme of Action for African Economic Recovery and Development (UNPAAERD) and the African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation (AAF-SAP) particular stress had been laid on the need to promote domestic trade as a sure means of accelerating Africa's socio-economic development. He informed participants that at their tenth meeting held in Addis Ababa on 17 and 18 November 1989, the African Ministers of Trade had expressed their disappointment over the fact that domestic trade was not being developed. They had consequently reiterated their appeal for each African country to adopt and to implement appropriate strategies for the promotion of domestic trade.

3. He concluded by inviting participants to consider the issues related to the development of domestic trade and to formulate specific recommendations to be submitted to the next meeting of African Ministers of Trade.

B. ATTENDANCE AND ORGANIZATION OF WORK

4. Representatives from the following countries attended the workshop: Algeria, Cameroon, the Congo, Cote d'Ivoire, Egypt, Ethiopia, Guinea, Niger, Nigeria, Senegal, Sierra Leone, Tanzania, Zambia and Zaire.

5. Also participating in the workshop was a representative of the Organization of African Unity (OAU).

C. ELECTION OF OFFICERS (Agenda Item 2)

6. The meeting elected the following officers

Chairman	-	Nigeria
Vice-Chairman	-	Senegal
Rapporteur	-	Congo

D. ADOPTION OF THE AGENDA AND PROGRAMME OF WORK (Agenda Item 3)

7. The meeting adopted the following agenda

1. Opening of the meeting
2. Election of Officers
3. Adoption of the Agenda and Programme of Work
4. General structures and institutions for Domestic Trade in African countries
5. Proposals for Promoting Domestic Trade in the 1990s
6. Any other business
7. Adoption of the report and closing of the meeting

E. ACCOUNT OF PROCEEDINGS

General structures and institutions for Domestic Trade in African countries (Agenda Item 4)

8. Under this agenda item, participants considered document E/ECA/TRADE/90/4 entitled "General Domestic Trade Structures and Institutions in African Countries".

9. Introducing the document, a representative of the secretariat indicated that it was a summary of five case studies conducted in selected countries. He then defined the scope of domestic trade embracing all activities from the production to the distribution of consumer items. In that light, domestic trade was perceived as the link between supply and demand in a given economy. He highlighted the importance of domestic trade to African countries.

10. In reviewing the contents of the document, the representative of the secretariat stated that it dealt with five main areas, namely, major characteristics of production, structure of domestic trade, the legal framework, the financing of domestic trade and problems and obstacles encountered in the development of domestic trade.

11. With regard to the first chapter relating to production, the representative of the secretariat pointed out that production in African countries was primarily centred around commodities for exports. There was a dichotomy between the food and cash crop sector, on the one hand, and between the rural and urban sectors, on the other hand. With regard to the structure of domestic trade, he pointed to a number of organizational deficiencies in terms of infrastructure and marketing networks and economic operators. The current legislation governing domestic trade was not necessarily designed to promote such trade. With regard to the financing of domestic trade, he underscored the problem that small economic operators in the rural areas faced in securing funds because they were compelled to operate within a very short period of time and often had to provide their own financing for their type of business activity. Major problems and obstacles encountered in the development of domestic trade mainly related to the narrowness of the production base, the concentration of industries in the urban areas and inadequate distribution facilities in the rural areas in particular.

12. During the discussions which followed, the representatives of Ethiopia, Senegal, Cameroon, Tanzania, and Nigeria shared the experiences of their countries in the area of domestic trade.

(i) At the production level

13. Participants were unanimous in their acknowledgement of the inadequacy of production of consumer goods and services, particularly food, compared to the needs to be met. The only exception was Cameroon which had attained food self-sufficiency. The representative of Cameroon outlined his country's experience by indicating key elements that had led his country to the "green revolution". These included the diversity of the ecosystems and definition of an adequate production promotion policy. In the case of Tanzania, it was noted that the failures encountered in the past in the area of production had led the country to adopt new directives aimed at promoting production, including the supply of agricultural inputs to peasants, the establishment of a more remunerative producer price system for commodities, encouragement of foreign investment, provision of extension services and appropriate production techniques for peasants.

14. Concerning industrial production, participants emphasized the need to restructure the production base by expanding the range of products, particularly through processing of agricultural produce so as to adapt consumption patterns to the nature of goods produced. It was also deeemed useful to decentralize the industrial sector to the rural areas so that local raw materials could be substituted for imported ones as was the case in Nigeria, where a policy for the processing of local agricultural produce had been put in place. Participants further acknowledged the need to ensure that African products become competitive through improved quality and reduced production costs. In that connection, participants took note of the establishment of a standardization system for controlling the quality of products in Senegal.

15. With regard to the small-scale sector, it was acknowledged that most African countries had not accorded the sector sufficient attention. Participants therefore recommended the institution of a policy for promotion of artisanal products.

16. Participants took note of the efforts made by some African countries to encourage local consumption through the adoption of various incentive policies. This was the case for Senegal and Cameroon which had launched campaigns for the consumption of what was produced locally. It was recommended that the policy be generalized throughout Africa.

(ii) At the level of domestic trade structures

17. Participants reiterated that the organization and structure of markets in Africa namely urban, rural and frontier markets, were the same. The frontier markets had problems inherent in the permeability of the frontiers. Participants were informed that certain countries including Cameroon and Senegal had established programmes for reorganization of frontier trade through the establishment of frontier shops in Senegal and the construction of four frontier markets in Cameroon.

18. With regard to marketing, participants noted the inadequacy of the existing system. Various accounts were given incluling the case of Ethiopia where the marketing of grains and consumer goods had been under State monopoly until recently, and the case of Tanzania where marketing was integrated in a global policy for centralization of economic activity until 1983. As a result of the inadequacy of the present system and the discouraging results obtained by those countries that had opted for socialism, the participants unanimously acknowledged the need for all countries to follow the present trend of liberalizing the commerical sector.

19. Participants also examined the inadequacy of the distribution infrastructures and networks. Access roads were either non-existent or in a very poor state of repair as was the case with the Tanzanian railways. In that context, they proposed that efforts should be made to increase and rehabilitate the transport infrastructure. Furthermore, in view of the seasonal and regional nature of most agricultural production, the problem of supplies was considered in the time and space dimensions. Participants took note of the urgent need to develop product distribution and storage infrastructure, particularly in the rural areas. The example of Cameroon, where cold warehouses are built in rural areas, served as a source of inspiration for aprticipants which they urged other African countries to emulate.

(iii) At the legal level

20. Participants debated the institutional aspect of domestic trade at length. It was noted that most countries had set up ministries or departments responsible for domestic trade. However, observations were made that success or failure of domestic trade activities was directly related to the legal and institutional provisions adopted for them. Thus, all participants referred to the relaxing of domestic trade regulations for sometime now, due to the poor performance that overly restrictive policies had engendered.

21. Regarding product prices, participants observed that most of the countries that had adopted a centralized pricing policy had achieved less encouraging results because of the high prices of consumer goods or the low producer prices for exports. As such, it was suggested that consumer prices should be as low as possible so that products could be more affordable and that producer prices for export goods should be increased as much as possible.

22. Participants also enumerated other measures that African Governments had to take to promote domestic trade. These included the supervision of feasibility studies and financing of small scale projects, the review of legislation with a view to facilitating production and distribution of goods, decentralization of commercial activities in the rural areas and simplification of the procedures for engaging in trading activities.

(iv) At the level of domestic trade financing

23. Participants noted the inadequacy of the domestic trade financing system. In fact, existing financial institutions were more interested in the external trade sector. Participants stressed the need to encourage enterpreneurship through the design of an effective system of granting credit to petty traders, small enterprises and African farmers. The representative of Cameroon referred to the case of tontines which were

increasingly competing with the banking systems in financing domestic trade. The representative of Tanzania underscored the existence in the informal sector in Tanzania of a private fund for the revitalization of commercial activity. The representative of Nigeria also spoke of the existence in his country of People's Banks that provided loans to petty economic operators without asking for guarantees and on affordable terms.

F. PROPOSALS FOR PROMOTING DOMESTIC TRADE IN THE 1990s (Agenda Item 5)

24. Under this agenda item a representative of the ECA Secretariat drew the attention of the meeting to the recommendations and proposals contained in the documents "Domestic Trade and Development in Africa: Measures to Ensure Effective Contribution to Balanced Development "(E/ECA/TRADE/80) and "General Domestic Trade Structures and Institutions in African Countries" (E/ECA/TRADE/90/4) and urged the participants to use their experience at national level so as to elaborate a comprehensive package of policy measures aimed at promoting domestic trade. He further stated that the recommendations of the workshop would be used as an input into the strategies for Africa's trade development in the 1990s to be examined by the extraordinary session of the Conference of African Ministers of Trade in December 1990.

25. The ensuing discussion centered on the need to accord to domestic trade the priority it deserved in development programmes and plans, particularly in view of its importance in the overall economic development process. It was also felt that there could be no sound expansion of external trade sector without related revitalization of domestic trade, serving as a foundation for the former.

26. A number of participants cited various obstacles impeding the promotion of domestic trade such as inappropriate transport infrastructures and facilities, particularly access roads, cumbersome administrative procedures, lack of storage facilities, irrational distribution networks and marketing mechanisms and others that had to be addressed by the policy measure proposals. The issue of narrow production base in most African countries was also raised as one of the contributing factors to the present state of underdevelopment of domestic trade.

27. The workshop also focussed on the respective roles of the public and private sectors in the efforts aimed at expanding the volume of domestic trade in the coming decade. In this respect, it was concluded that although the public sector had made important contributions in this area, particularly in terms of establishing storage facilities and transport links, in the future, the governments should, however, concentrate on creating appropriate framework and ensuring conducive environment for the economic operators in the sector. This could be achieved through continued involvement of the public enterprises in the provision of necessary infrastructure and other physical linkages as well as increased financial resources. In general, governments should try to influence domestic trade through the system of economic incentives rather than direct commercial or productive activities.

28. The majority of participants stressed in this connection that special measures should be adopted to encourage the private sector operators to play a greater role in domestic trade promotion. Measures in this regard could include simplified procedures for registration and licencing of traders, facilitated access to commercial activities, particular support to the informal sector and women traders through concessional credit terms and institutional assistance, such as formulating bankable proposals and projects and providing necessary training.

29. Another set of measures related to the necessity to improve storage and reduce post harvest losses that in many cases reach 40 percent of the amounts produced. Examples of existing mechanisms and institutions were given, including the stabilization schemes aimed at maintaining remunerative prices through a system of floor prices and absorption of excess supply as well as improved storage.

30. Resulting from the extensive deliberations of the above issues, the workshop adopted the following recommendations to be considered by governments in order to promote and revitalize domestic trade with a view to laying a sound foundation for self-sustained economic growth.

31. Improvement of distribution networks

(a) Clearly defining the tasks of each category of operator in the national commercial system (state distribution enterprises, marketing co-operatives, wholesalers, semi-wholesalers, other intermediaries and retailers), simplifying administrative procedures for domestic trade operations;

(b) Liberalizing and facilitating terms of admission to commercial activities particularly in the wholesale trade which will allow a better selection of enterprises, greater reliability of the sector and therefore fewer risks in order not to distrupt distribution;

(c) Laying down conditions for competition which will prevent monopolies, as applied especially to the undersupplied rural areas where demand is greater than supply coupled with the fact that there is very little information factors that combine and enable certain commercial operators to greatly disadvantage consumers;

(d) Rationalizing distribution channels with a view to minimizing intermediary chains;

(e) Taking steps to promote the consolidation of supply or demand through the setting up of producers', consumers', and users' associations or co-operatives; encouraging their creation by means of concessional financing;

(f) Carrying out a preliminary study on the best location for public or private warehouse based on several factors including proximity to the sources of supply and/or sales outlets to be serviced, the accessibility of the area and whether or not skilled manpower is available to manage the warehouse;

(g) Carrying out a preliminary study on the best location for perishable goods conservation and/or processing facilities mainly in the food area either for direct consumption or processing;

(h) Involving public wholesale marketing corporations in the handling of some essential commodities in areas where the private sector is less inclined to operate;

(i) Taking into account consumers' interests and protecting such interests particularly in the rural areas while reducing the transport component in the prices of items purchased by the rural population;

(j) Establishing direct links between producers and consumers.

32. Development of infrastructure

(a) Developing a regular system of domestic transport to ensure the movement of products and the supply to and from isolated regions;

(b) Co-ordinating plans for extending the road network with sectoral development objectives and plans for building warehouses and conservation and processing facilities;

(c) Developing the road network between rural areas without necessarily passing through the capital or other major urban centres;

(d) Encouraging transport operations through, inter alia, tax exemptions and other incentives in order to lower costs of transportation for rural producers;

(e) Improving storage facilities and extending the networks of warehouses with a view to ensuring better storage of agricultural produce and reducing post-harvest losses;

(f) Introducing new technologies aimed at reducing post-harvest losses and improving the storage of perishable goods, including the processing of perishables into shelf-stable intermediaries;

(g) Constructing modern markets and other premises for the traders that would include cool storage facilities;

(h) Developing reliable information system on supply and demand situation for products in domestic trade.

33. Pricing policies

(a) Lessening controls over prices in order to provide sufficient incentives to producers and ensure remunerative levels of producer prices;

(b) Adjusting policy on incomes of farmers in order to increase their purchasing power;

(c) Lowering input costs through a system of customs duties exemptions for essential raw materials, spare parts and machinery;

(d) Stabilizing prices and ensuring a steady supply of goods through buffer-stock mechanisms and a system of floor/ceiling prices;

34. Facilities for financing domestic trade

(a) Improving the mobilization of domestic savings by official credit institutions particularly in the rural areas, and subsequently strengthening the commercial credit branches of such financial institutions;

(b) Making credit allocation schemes more flexible and adapting the terms under which loans are granted and reimbursed to the characteristics of the sector and of the commercial operations concerned, such as the speed of sales turnover, seasonal cycles or type of operator;

(c) Carrying out studies on future requirements for commercial credits in line with sectoral objectives;

(d) Extending permanent financial support and credit facilities to small businesses, including co-operatives and women traders especially in the informal sector, providing for soft loans and concessional credits to these operators, establishing revolving funds for women activities and improving legal framework for women's access to credit;

(e) Providing technical support to small-scale enterprises and informal sector in the preparation of viable credit applications.

ANY OTHER BUSINESS (Agenda Item 6)

35. Under this agenda item, the issue of continuity of participation in meetings of this kind was raised. It was also pointed out that participants should receive copies of the present report in order to enable them undertake necessary follow-up action at national and regional levels.

36. A representative of ECA Secretariat assured the meeting that in addition to established channels of distribution, all the participants would receive the necessary documentation.

Adoption of the report and closure of the meeting (Agenda item 7)

37. The workshop adopted the present report as tabled by the Rapporteur.

38. In his closing statement, the chairman thanked the participants and the secretariat for the high quality of their work that contributed to the overall success of the workshop. He then stressed the significance of the recommendations adopted by the meeting as instruments that could go a long way towards achieving the main goal of turning domestic trade into an engine of economic growth and development. He also took the opportunity to urge the representatives of African countries to increase their efforts in giving domestic trade the priority place it deserves in national development strategies. He concluded his closing statement by appealing to the secretariat to continue organizing similar events in the future, perhaps with a larger participation, in order to greatly enhance the awareness of the importance of expanding domestic trade at national level. He also called for more co-operation and exchange of information between the secretariat and African countries as well as among the countries themselves.

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